WEMBLEY GYPSUM PRODUCTS SDN BHD A

v.

MST INDUSTRIAL SYSTEMS SDN BHD

COURT OF APPEAL, PUTRAJAYA B
MOKHTAR SIDIN JCA
ZULKEFLI MAKINUDIN JCA
LOW HOP BING JCA
[CIVIL APPEAL NO: W-02-1100-2004]
18 SEPTEMBER 2007 C

TRADEMARKS: *Infringement of - Registered trademarks - Validity of registration - Exclusive use of trademarks - Similarity in name and get up - Whether infringement established - Trademarks Act 1976, ss. 10, 36, 37, 38, 40 - Rules of the High Court 1980, O. 87 rr. 7, 9* D

TRADEMARKS: *Passing off - Similarity in name and get up - Misrepresentation to customers - Whether business and goodwill affected - Whether tort of passing off established*

The plaintiff (the respondent herein) claimed against the defendant E (the appellant herein) for infringement of the plaintiff's trademarks which were registered as "PINHOLE", "SAKURA" and "FISSURED". The plaintiff also claimed against the defendant for the tort of passing off of the plaintiff's trademark known as "LEOPARD". The said four trademarks were used in and for the F plaintiff's products referred to as Gypsum Ceiling Boards ('GCB'). The defendant was the supplier of raw materials in the form of gypsum boards to the plaintiff. The defendant's defence was that the said four trademarks were not capable of registration but were mere descriptions of the design on GCB and that the words G registered as trademarks were not inventive words but common to the trade in describing GCB. The defendant also claimed for the rectification and expungement of the registered trademarks. The trial court found for the plaintiff and ordered the defendant to pay damages in the sum of RM4,831,450 with interest and costs and H dismissed the defendant's counterclaim with costs. Hence the defendant's appeal.

I

Held (dismissing the appeal)
Per Low Hop Bing JCA:

(1) The plaintiff's registered trademarks were invented words as they were substantially new when first used by the plaintiff. The plaintiff was also the first to sell GCB using the registered trademarks even before the defendant came into the trade. Those invented words were registrable under s. 10(1)(c) of the Trademarks Act 1976 ('the Act'). (para 18)

(2) The words "PINHOLE", "SAKURA" and "FISSURED" which constituted the plaintiff's registered trademarks were also words having no direct reference to any character or quality of the goods and were not geographical names. Hence, they were also registrable under s. 10(1)(d) of the Act. In any event, under s. 10(1)(e) of the Act, the registered trademarks were shown by evidence to be distinctive marks under s. 10(2) as further defined in s. 10(2A) of the same. (paras 19 & 20)

(3) Section 36 of the Act provided that the registration of the plaintiff's registered trademarks shall be *prima facie* evidence of validity. Under s. 37 of the Act, the original registration shall be taken to be valid. There was no evidence that any of the exceptions under s. 37(a), (b) or (c) of the Act was applicable. (paras 21, 22 & 23)

(4) Prior to the filing of the defence and counterclaim, the defendant had never raised any objection to the registration of the plaintiff's registered trademarks. In any event, the defendant's objection raised in the defence and counterclaim for rectification did not comply with O. 87 rr. 7 and 9 of the Rules of the High Court 1980. The defendant's failure to comply with the provisions thereof clearly evinced the lack of *bona fide* and seriousness on the part of the defendant in filing the defence and counterclaim. (paras 24 & 27)

(5) The designs and patterns of the plaintiff's registered trademarks were capable of being registered as trademarks. Further, the words "PINHOLE", "SAKURA" and "FISSURED" used by the plaintiff were indeed registered trademarks. There was ample evidence to support the trial court's finding

of facts that the plaintiff established exclusivity in the use thereof since 1986/1987 and that the plaintiff advertised them extensively while the defendant began using those trademarks only in early 1991. The trial court, too, did not err in finding that the trademark "LEOPARD" belonged to the plaintiff. (para 28 & 29)

(6) The defendant was neither the registered proprietor nor the permitted user of the plaintiff's registered trademarks. Notwithstanding that, the defendant used trademarks which were identical with or so nearly resembling them as were likely to deceive or cause confusion in the course of the trade in relation to the goods in respect of which the plaintiff's trademarks were registered. There was also adequate evidence that the defendant had been selling its GCB in 1991 under the same name and get up of the plaintiff's GCB. Further, three of the plaintiff's employees had joined the defendant in order to achieve that purpose. It was a means to an end. (paras 32 & 33)

(7) The defendant's conduct certainly constituted infringement under s. 38 of the Act. The facts clearly demonstrated that the defendants used the trademarks for commercial benefit and to injure the plaintiff's business. That being the case, the defendant could not be heard to rely on the defence of using the trademarks in good faith by way of description of character or quality of the goods under s. 40(1)(a) and (b) of the Act. (para 34)

(8) The trial court arrived at a finding of fact that the plaintiff had been using the word "LEOPARD" as a trademark since 1986 and had expended large sums of money thereby gaining goodwill in the sale of the plaintiff's GCB products under that trademark. Subsequently, the defendant became the plaintiff's supplier of raw materials from which the plaintiff manufactured and marketed GCB products under the trademark "LEOPARD". Witnesses who testified for the defendant did not deny using the word "LEOPARD". However, they said it was not used as a trademark. The trial court held that there was misrepresentation by the defendant as a trade in the course of trade in the building industry to the defendant's customers, calculated to injure the business or goodwill of the plaintiff and causing actual damage to the plaintiff. It followed that the trial court correctly found that

A the plaintiff succeeded in establishing all the ingredients required in an action of passing off against the defendant. (paras 37, 38 & 43)

(9) The trial court assessed damages in the sum of
B RM4,831,450 by taking into account the plaintiff's total sales and the defendant's profit margin, *ie*, RM14,866,000 x 32.5% = RM4,831,450. The trial court rightly evaluated the evidence of the defendant's own witnesses showing that the total sales of the defendant's GCB products using the
C trademarks amounted to RM14,866,000. (paras 48 & 49)

(10) It was the trial court's finding that the defendant failed to dispute the fact that the plaintiff would have made a profit of at least 30%-35% out of the loss in the sales of the GCB products using the trademarks. The trial court adopted an
D average of 32.5% in assessing damages. The trial court had also occasioned no error in the assessment and award of the sum of RM4,831,450 as damages to the plaintiff. There was also no error in the award of interest at the rate of 8% per annum from 31 January 1991 (the date of first wrongful use
E of the trademarks) to the date of realisation. (paras 50 & 51)

Bahasa Malaysia *Translation Of Headnotes*

F Plaintif (responden di sini) menuntut terhadap defendan (perayu di sini) kerana mencabul cap dagang plaintif yang didaftar sebagai "PINHOLE", "SAKURA" dan "FISSURED". Plaintif juga menuntut terhadap defendan kerana tort penyamaran atau passing off cap dagang plaintif yang dikenali sebagai "LEOPARD".
G Keempat-empat cap dagang tersebut digunakan oleh plaintif untuk produk-produknya yang dipanggil Gypsum Ceiling Boards ('GCB'). Defendan adalah pembekal bahan mentah gypsum boards kepada plaintif. Pembelaan defendan adalah bahawa keempat-empat cap dagang tersebut tidak layak didaftarkan kerana hanya merupakan
H pemerihalan tentang rekabentuk GCB dan bahawa perkataan-perkataan yang didaftarkan sebagai cap dagang bukanlah perkataan-perkataan yang dicipta tetapi adalah perkataan umum dunia perniagaan untuk memerihalkan GCB. Defendan juga menuntut untuk pembetulan dan pembuangan cap dagang
I berdaftar berkenaan. Mahkamah bicara memutuskan untuk plaintif

dan memerintahkan defendan membayar gantirugi berjumlah RM4,831,450 dengan faedah dan kos dan menolak tuntutan balas defendan dengan kos. Defendan telah merayu.

Diputuskan (menolak rayuan)
Oleh Low Hop Bing HMR:

(1) Cap dagang berdaftar plaintif adalah perkataan-perkataan yang dicipta kerana secara substantifnya ia sesuatu yang baru apabila digunakan buat pertama kali oleh plaintif. Plaintif juga adalah yang pertama menjual GCB dengan menggunakan cap dagang berdaftar, iaitu sebelum defendan menceburi perniagaan tersebut. Perkataan-perkataan yang dicipta tersebut layak untuk didaftar di bawah s. 10(1)(c) Akta Cap Dagang 1976 ('Akta').

(2) Perkataan-perkataan "PINHOLE", "SAKURA" dan "FISSURED" yang menjadi cap dagang berdaftar plaintif adalah juga perkataan yang tidak mempunyai kaitan secara langsung dengan mana-mana ciri atau kualiti barang tersebut dan bukan juga nama-nama geografi. Nama-nama tersebut, dengan itu, boleh juga didaftarkan di bawah s. 10(1)(d) Akta. Walau apapun, selaras dengan s. 10(1)(e) Akta, cap dagang berdaftar dibuktikan oleh keterangan sebagai cap dagang yang tersendiri di bawah s. 10(2) serta menurut tafsiran lanjut s. 10(2A) Akta.

(3) Seksyen 36 Akta memperuntukkan bahawa pendaftaran cap dagang plaintif hendaklah menjadi keterangan *prima facie* kesahannya. Di bawah s. 37 Akta pula, pendaftaran asal hendaklah dianggap sebagai sah. Tiada keterangan bahawa mana-mana pengecualian di bawah s. 37(a), (b) atau (c) Akta terpakai.

(4) Sebelum pemfailan pembelaan dan tuntutan balas, defendan tidak pernah membangkitkan apa-apa bantahan terhadap pendaftaran cap dagang berdaftar plaintif. Apapun, bantahan defendan yang dibangkitkan dalam pembelaan dan tuntutan balas untuk rektifikasi tidak mematuhi A. 87 kk. 7 dan 9 Kaedah-Kaedah Mahkamah Tinggi 1980. Kegagalan defendan untuk mematuhi peruntukan-peruntukan ini memperlihatkan ketiadaan *bona fide* dan keseriusan defendan dalam memfailkan pembelaan dan tuntutan balasnya.

(5) Rekabentuk dan corak cap dagang berdaftar plaintif layak didaftarkan sebagai cap dagang. Selain itu, perkataan-perkataan "PINHOLE", "SAKURA" dan "FISSURED" yang digunakan plaintif memang merupakan cap dagang berdaftar. Terdapat keterangan yang banyak untuk menyokong dapatan fakta mahkamah bicara bahawa plaintif telah membuktikan eksklusiviti apabila menggunakan perkataan-perkataan tersebut sejak 1986/1987 dan bahawa plaintif telah mengiklankannya secara meluas sementara defendan pula hanya menggunakan perkataan-perkataan tersebut sejak awal 1991. Mahkamah bicara juga tidak khilaf dalam mendapati cap dagang "LEOPARD" dipunyai oleh plaintif.

(6) Defendan bukanlah pemilik berdaftar atau pengguna yang dibenarkan menggunakan cap dagang plaintif. Namun begitu, defendan telah menggunakan cap dagang yang serupa atau yang amat menyerupai cap dagang plaintif yang berkemungkinan akan memperdaya atau mengelirukan perniagaan barangan berhubung mana cap dagang plaintif didaftarkan. Juga terdapat keterangan yang mencukupi bahawa defendan telah menjual GCBnya pada 1991 di bawah nama dan get up yang sama seperti mana GCB plaintif. Selain itu, tiga dari pekerja plaintif juga memasuki perkhidmatan defendan bagi mencapai maksud tersebut. Ia adalah cara bagi mencapai matlamat.

(7) Tingkah laku defendan adalah satu pencabulan di bawah s. 38 Akta. Fakta menunjukkan dengan jelas bahawa defendan telah menggunakan cap dagang untuk keuntungan komersial dan untuk menjejaskan perniagaan plaintif. Dalam keadaan sedemikian, defendan tidak boleh dibenarkan bergantung kepada pembelaan bahawa ia menggunakan cap dagang dengan ikhlas melalui pemerihalan ciri atau mutu barang di bawah s. 40(1)(a) dan (b) Akta.

(8) Mahkamah bicara telah membuat dapatan fakta bahawa plaintif telah menggunakan perkataan "LEOPARD" sebagai cap dagang sejak 1986 dan telah membelanjakan sejumlah besar wang bagi membina goodwill bagi penjualan produk GCBnya di bawah cap dagang tersebut. Defendan kemudian menjadi pembekal bahan mentah plaintif, yang digunakan plaintif untuk mengeluarkan produk GCB dan memasarkannya di bawah cap dagang "LEOPARD". Saksi-saksi yang memberi

keterangan untuk defendan tidak menafikan menggunakan perkataan "LEOPARD". Bagaimanapun mereka berkata bahawa ia tidak digunakan sebagai cap dagang. Mahkamah bicara memutuskan bahawa terdapat misrepresentasi oleh defendan sebagai peniaga yang berniaga dalam industri pembinaan kepada pelanggan-pelanggannya, yang bertujuan untuk menjejaskan perniagaan atau goodwill plaintif sekaligus menyebabkan kerugian langsung kepada plaintif. Ianya mengikut bahawa mahkamah bicara telah dengan betulnya mendapati bahawa plaintif telah berjaya membuktikan semua ingredien perlu dalam tindakan penyamaran atau passing off terhadap defendan.

(9) Mahkamah bicara telah mentaksir gantirugi pada jumlah RM4,831,450 dengan mengambilkira keseluruhan jualan plaintif dan margin keuntungan defendan, iaitu RM14,866,000 x 32.5% = RM4,831,450. Mahkamah bicara telah dengan betulnya menilai keterangan saksi-saksi defendan yang menunjukkan bahawa jumlah keseluruhan jualan produk GCB defendan yang menggunakan cap dagang adalah RM14,866,000.

(10) Adalah menjadi dapatan mahkamah bicara bahawa defendan telah gagal mempertikai fakta bahawa plaintif akan membuat keuntungan sekurang-kurangnya 30%-35% dari kehilangan jualan produk-produk GCB yang menggunakan cap dagang. Mahkamah bicara menggunapakai hitung panjang 32.5% dalam mentaksir gantirugi. Mahkamah bicara juga tidak melakukan apa-apa kesilapan dalam pentaksiran dan dalam mengawardkan jumlah RM4,831,450 sebagai gantirugi kepada plaintif. Juga, tidak ada kesilapan dalam mengawardkan faedah pada kadar 8% setahun dari 31 Januari 1991 (tarikh mula penggunaan salah cap dagang) hingga ke tarikh penyelesaian.

Case(s) referred to:

Compagnie Generale Des Eaux v. Compagnie Generale Des Eaux Sdn Bhd [1997] FSR 610 ***(refd)***

Erven Warnink Besloten Vennootschap & Anor v. J Townend & Sons (Hull) Ltd [1979] AC 731 ***(refd)***

Legislation referred to:

Rules of the High Court 1980, O. 87 rr. 7, 9

Trade Marks Act 1976, ss. 10(1)(c), (d), (e), (2), (2A), 36, 37, 38, 40(1)(a), (b)

Other source(s) referred to:
Clerk & Lindsell on Torts, 16th edn, p 254, para 5-04

For the appellant - SF Wong (R Mohana Krishnan with him); M/s Kumar Partnership
For the respondent - Shahul Hamid Amiruddin; M/s Sng & Co

[Appeal from High Court, Kuala Lumpur; Civil Suit No: D4-22-289-1991]

Reported by Usha Thiagarajah

JUDGMENT

Low Hop Bing J:

Appeal

[1] After hearing nine witnesses and submissions, the learned judge of the Kuala Lumpur High Court had on 10 September 2004 found for the plaintiff and ordered the defendant to pay damages in the sum of RM4,831,450 with interest and costs, and dismissed the defendant's counterclaim with costs.

[2] The defendant has appealed against the whole of the aforesaid decision.

[3] On 8 January 2007, after hearing submissions, we had unanimously dismissed the defendant's appeal. We now give our grounds of judgment.

[4] The parties are referred to in the same capacities as in the High Court.

Plaintiff's Claim

[5] The plaintiff instituted a claim against the defendant for infringement of the plaintiff's trade marks which were registered as "PINHOLE", "SAKURA" and 'FISSURED" (collectively, "the registered trade marks") and also a claim in common law for the tort of passing off of the trade mark known as "LEOPARD" (collectively, all these four trade marks are referred to as "the four trade marks").

[6] The four trade marks were used in and for the plaintiff's products commonly referred to as Gypsum Ceiling Boards ("GCB").

Defence And Counterclaim

[7] The defendant's defence is that the four trade marks are not capable of registration but were mere descriptions of the design on GCB and that the words registered as trade marks are not inventive words, but common to the trade in describing GCB.

[8] The defendant had also counterclaimed for rectification and expungement of the registered trade marks.

Finding Of Facts

[9] The essential facts as found by the trial court may be narrated as follows:

(1) The plaintiff was and is the registered owner of the registered trade marks. The registered trade marks after expiry were renewed for a further period of 14 years (PINHOLE on 12 October 2001, FISSURED on 12 October 2001 and SAKURA on 20 September 2003).

(2) The plaintiff had manufactured and marketed GCB under the registered trade marks from 1986 and had more than 200 customers.

(3) From July 1980 to the end of 1990, the defendant was a supplier of raw materials in the form of gypsum boards to the plaintiff.

(4) The defendant had not lodged any complaint or objection against the plaintiff's application for registration of the registered trade marks or instituted any proceedings against the Registrar of Trade Marks either for rectification, expungement or subsequent renewal of the registered trade marks.

(5) The defendant had used the plaintiff's registered trade marks on its products from early 1991 until 1994 when, through the plaintiff's erstwhile solicitors, two cease and desist letters respectively dated 6 December 1994 and 12 December 1994 were issued whereby the defendant ceased to use the plaintiff's registered trade marks.

(6) The defendant had not filed any application to register the trade marks.

(7) The first time that the defendant raised an objection to the registrability and validity of the registered trade marks was in the counterclaim which, contrary to O. 87 rr. 7 and 9 of the Rules of the High Court 1980 (O. 87 rr. 7 and 9), had never been served on the Registrar of Trade Marks.

(8) The defendant's yearly sales from 1991 until 1994 of its products bearing the four trade marks was RM14,866,000.

(9) The plaintiff's profit margin on the sale of its GCB products bearing the four trade marks was 30% to 35%.

(10) The trade mark "LEOPARD" belongs to the plaintiff.

[10] Other facts which are relevant to this appeal will be narrated later in this judgment.

Registrability Of Trade Marks

[11] It was contended by learned counsel Mr. SF Wong (Mr. R Mohana Krishnan with him) that the plaintiff's registered trade marks are incapable of being registered under the Trade Marks Act 1976.

[12] Plaintiff's learned counsel Mr Shahul Hamid Amiruddin submitted that plaintiff's registered trade marks are distinctive, invented words which have been duly registered by the Registrar of Trade Marks and the defendant had never raised any objection thereto, except in the defence and counterclaim herein.

[13] In our view, the law governing registrable trade marks is to be found in Part IV of the Trade Marks Act 1976. (A reference to a section hereinafter is a reference to that section in the Trade Marks Act 1976 unless otherwise stated)

[14] Section 10(1), where relevant, merits reproduction as follows:

Registrable trade marks

(1) In order for a trade mark (other than a certification trade mark) to be registrable, it shall contain or consist of at least one of the following particulars:

(a) …

(b) …

(c) an invented word or words;

(d) a word having no direct reference to the character or quality of the goods or services not being, according to its ordinary meaning, a geographical name or surname; or

(e) any other distinctive mark.

[15] Under s. 10(2), a word under s. 10(1)(c) is not registrable unless it is by evidence shown to be distinctive.

[16] In essence, s. 10(2A) defines the word "distinctive" as capable of distinguishing goods or services with which the proprietor of the trade mark is or may be connected in the course of trade from goods or services in the case of which no such connection subsists.

[17] In the light of the finding of facts by the trial court, the provisions of s. 10(1)(c), (d) and (e) are of special significance.

[18] The plaintiff's registered trade marks are invented words as they are substantially new when first used by the plaintiff. The plaintiff was also the first to sell GCB using the registered trade marks even before the defendant came into the trade. These invented words are registrable under s. 10(1)(c).

[19] The words "PINHOLE", "SAKURA", and "FISSURED", which constitute the plaintiff's registered trade marks, are also words having no direct reference to any character or quality of the goods and are not geographical names. Hence, they are also registrable under s. 10(1)(d).

[20] In any event, under s. 10(1)(e), the registered trade marks have been shown by evidence to be distinctive marks under s. 10(2), as further defined in s. 10(2A).

[21] Section 36 provides that the registration of the plaintiff's registered trade marks shall be *prima facie* evidence of validity. Section 36 reads as follows:

36 Registration *prima facie* evidence of validity

In all legal proceedings relating to a registered trade mark (including application under section 45) the fact that a person is registered as proprietor of the trade mark shall be *prima facie* evidence of the validity of the original registration of the trade mark and of all subsequent assignments and transmissions thereof.

[22] Under s. 37, the original registration shall be taken to be valid. This section where relevant merits reproduction as follows:

> **37 Registration conclusive**
>
> In all legal proceedings relating to a trade mark registered in the Register (including application under section 45), the original registration of the trade mark under this Act shall, after the expiration of seven years from the date thereof, be taken to be valid in all respects unless it is shown:
>
> (a) that the original registration was obtained by fraud;
>
> (b) that the trade mark offends against section 14; or
>
> (c) that the trade mark was not, at the commencement of the proceedings, distinctive of the goods or services of the registered proprietor, …

[23] There is no evidence that any of the exceptions under s. 37(a), (b) or (c) is applicable.

[24] It is significant to note that prior to the filing of the defence and counterclaim, the defendant has never raised any objection to the registration of the plaintiff's registered trade marks. In any event, the defendant's objection raised in the defence and counterclaim for rectification had not even complied with O. 87 rr. 7 and 9.

[25] Order 87 r. 7, which requires the defendant to serve the counterclaim on the Registrar of Trade Marks, reads:

> **7 Counterclaim for rectification of registrar (O. 87 r. 7)**
>
> A defendant in an action for infringement may, in regard to any registered trade mark in issue, counterclaim for the rectification of the register and shall within the time limited for the delivery of the counterclaim serve the Registrar with the same, and the Registrar shall be entitled to take such part in the action as he may think fit without delivering a defence or other pleading.

[26] Further, O. 87 r. 9 contains detailed procedure for disputing the validity of registration as follows:

9 Proceeding for infringement of registered trade mark: Validity of registration disputed (O. 87 r. 9)

(1) Where in any proceedings a claim is made for relief for infringement of the right to the use of a registered trade mark, the party against whom the claim is made may in his defence put in issue the validity of the registration of that trade mark or may counterclaim for an order that the register of trade marks be rectified by cancelling or varying the relevant entry or may do both those things.

(2) A party to any such proceedings who in his pleading (whether a defence or counterclaim) disputes the validity of the registration of a registered trade mark must serve with the pleading particulars of the objections to the validity of the registration on which he relies in support of the allegation of invalidity.

(3) A party to any such proceedings who counterclaims for an order that the register of trade marks be rectified must serve on the Registrar of Trade Marks a copy of the counterclaim together with a copy of the particulars mentioned in paragraph (2); and the Registrar of Trade Marks shall be entitled to take such part in the proceedings as he may think fit but need not serve a defence or other pleading unless ordered to do so by the Court.

[27] The defendant's failure to comply with the provisions of O. 87 rr. 7 and 9 clearly evinces the lack of *bona fide* and seriousness on the part of the defendant in filing the defence and counterclaim.

[28] In our view, there can be no doubt that designs and patterns of the plaintiff's registered trade marks are capable of being registered as trade marks. Further the words "PINHOLE", "SAKURA" and "FISSURED" used by the plaintiff are indeed registered trade marks. There is ample evidence to support the trial court's finding of facts that the plaintiff has established exclusivity in the use thereof since 1986/1987 and that the plaintiff had advertised them extensively, while the defendant began using these trade marks only in early 1991.

[29] We are also of the view that the trial court did not err in finding that the trade mark "LEOPARD" belongs to the plaintiff.

A

Infringement

[30] The next ground advocated for the defendant is that the defendant had not infringed the plaintiff's trade marks.

B

[31] The plaintiff contended that there was such an infringement within the ambit of s. 38.

[32] In our judgment, we find that the defendant was neither the registered proprietor nor the permitted user of the plaintiff's registered trade marks. Notwithstanding that, the defendant had

C

used trade marks which are identical with or so nearly resembling them as are likely to deceive or cause confusion in the course of the trade in relation to the goods in respect of which the plaintiff's trade marks are registered.

D

[33] There is also adequate evidence that the defendant had been selling its GCB in 1991 under the same name and get up of the plaintiff's GCB. Further, three of the plaintiff's employees have joined the defendant in order to achieve this purpose. It was a means to an end.

E

[34] The defendant's conduct certainly constitutes infringement under s. 38. The facts clearly demonstrate that the defendants had used the trade marks for commercial benefit and to injure the plaintiff's business. That being the case, the defendant cannot be

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heard to rely on the defence of using the trade marks in good faith by way of description of character or quality of the goods under s. 40(1)(a) and (b).

Passing Off

G

[35] The defendant argued that it did not commit the common law tort of passing off in relation to the trade mark "LEOPARD".

[36] The plaintiff stressed that the trial court had correctly found the defendant liable in passing off.

H

[37] We note that the trial court had arrived at a finding of fact that the plaintiff had been using the word "LEOPARD" as a trade mark since 1986 and had expended large sums of money, thereby gaining goodwill in the sale of the plaintiff's GCB products under this trade mark. Subsequently, the defendant became the plaintiff's

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supplier of raw materials from which the plaintiff manufactured and marketed GCB products under the trade mark "LEOPARD"

[38] Witnesses who testified for the defendant did not deny using the word "LEOPARD". However, they said that it was not used as a trade mark. The trial court held that there was misrepresentation by the defendant as a trader in the course of trade in the building industry to the defendant's customers, calculated to injure the business or goodwill of the plaintiff and causing actual damage to the plaintiff.

[39] In the light of the trial court's aforesaid finding of facts, it is instructive for us to refer to the celebrated case of *Erven Warnink Besloten Vennootschap & Anor v. J Townend & Sons (Hull) Ltd* [1979] AC 731. At p 742, Lord Diplock identified the ingredients required to sustain an action for passing off as:

(1) a misrepresentation;

(2) made by a trader in the course of trade;

(3) to prospective customers of his or ultimate consumers of goods or services supplied by him;

(4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence); and

(5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.

[40] It is to be noted that in the same case, Lord Fraser LJ said at p. 742 that in order to establish passing off, the plaintiff must prove "that he has suffered damage or is likely to suffer substantial damage".

[41] In *Compagnie Generale Des Eaux v. Compagnie Generale Des Eaux Sdn. Bhd.* [1997] FSR 610; [1996] 3 AMR 4015, R. Kamalanathan J (as he then was) said in relation to proof of damage:

> ... in a passing off action, a plaintiff does not have to prove actual damage in order to succeed. Likelihood of damage is sufficient. One of the ways in which a business reputation may be injured is by the appropriation of that reputation or part of it by a third party.

[42] However, for the purposes of the instant appeal, we consider it unnecessary to make the distinction as to whether the plaintiff has actually suffered damage or is likely to suffer substantial damage because the plaintiff in this appeal has actually suffered damage, as will be seen later in this judgment.

[43] We are satisfied that the trial court had correctly found that the plaintiff has succeeded in establishing all the ingredients required to sustain the action of passing off against the defendant.

Damages

[44] The defendant stressed that the trial court had erred in the assessment of damages and so the award of RM4,831,450 by way of damages could not be sustained.

[45] The plaintiff subscribed to the view that there was no misdirection by the trial court in the assessment of damages.

[46] In our judgment, it is useful to set out the general object of awarding damages, contained in *Clerk & Lindsell on Torts,* 16th edn, at p. 254 para 5-04:

> The general object of an award of damages is to compensate the plaintiff for the losses, pecuniary and non-pecuniary, sustained as a result of the defendant's tort. More specifically, the assessment process is said to aim at *restitutio in integrum*. The general principle is, in the off-quoted words of Lord Blackburn, that the court should award 'that sum of money which will put the party who has been injured, or who has suffered, in the same position as he would have been in if he had not sustained the wrong for which he is now getting his compensation or reparation.' The principle admits of application to losses which are capable of reasonable precise calculation in money terms. (see also *UDA Holdings Sdn. Bhd v. Koperasi Pasaraya Malaysia Bhd* [2007] 5 AMR 36 CA).

[47] The question is whether the sum has been correctly awarded by the trial court and is consistent with the above general object and principle.

[48] The trial court had assessed damages in the sum of RM4,831,450 by taking into account the plaintiff's total sales and the defendant's profit margin (ie RM14,866,000 x 32.5% = RM4,831,450)

[49] In our view, the trial court had rightly evaluated the evidence of the defendant's own witness (DW1), showing that the total sales of the defendant's GCB products using the trade marks amounted to RM14,866,000.

[50] It was the trial court's finding that the defendant had failed to dispute the fact that the plaintiff would have made a profit of at least 30%-35% out of the loss in the sales of the GCB products using the trade marks. The trial court adopted an average of 32.5% in assessing damages.

[51] We are also of the view that the trial court had occasioned no error in the assessment and award of the sum of RM4,831,450 as damages to the plaintiff. There was also found no error in the award of interest at the rate of 8% per annum from 31 January 1991 (the date of first wrongful use of the trade marks) to the date of realization.

Conclusion

[52] On the foregoing grounds, we dismissed the defendant's appeal with costs and affirmed the aforesaid orders of the trial court. Deposit to the plaintiff on account of taxed costs.